

**From:** Adam Bauer  
**To:** Microsoft ATR  
**Date:** 1/25/02 11:48am  
**Subject:** Microsoft Settlement

Your Honorable Kollar-Kotally,

I wish to register my disappointed with the proposed final judgment between the U.S. Department of Justice and Microsoft.

Currently, I'm a CEO/Co-founder for start-up firm in Silicon Valley. Though my firm does not compete directly with Microsoft, I experienced first hand the company's anti-competitive practices.

In the mid-1990, I worked for Borland International, a chief competitor to Microsoft in office software and programming tools products. During that time, I witnessed the price collapsed in the software market. Products that once sold for \$400 per individual license now cost less than \$100. Bundling became the rage, pushing average selling prices even lower.

Many at Borland believed Microsoft's revenue from operating systems unfairly subsidized their office software. Microsoft possessed no cost advantage yet was able to offer their products at dramatically lower prices. Ultimately, Microsoft won the office software market with this approach. Companies such as Borland could not economically produce comparable products (access to DLLs also hampered development). Ultimately, I watched the demise of our office software business unit.

I witnessed this same situation again while at Claris Software, a subsidiary of Apple Computer. Microsoft sold products that we directly competed against at lower price points. Their practices took away Claris' market share leadership in the large education sector.

Thirdly, I recalled interviewing for Microsoft in 1997 for the Visual Studio product line, which are programming tools. During the my interview, a senior person in the Visual Studio group shared Microsoft's objective for this product was not profit but rather market share. In short, more developers using Microsoft programming tools protect their operating system market share position. A dominate tools position helps with other software tools as well.

In short, I believe this agreement does not go far enough to restore competitiveness in large segments of the PC software market. Moreover, future markets, including not just software but on-line services as well.

As a citizen who's passionate about the internet ability to further positive societal changes that beget prosperity, I'm deeply concern that a single company might hamper competitiveness hence innovation and growth in on-line services. Services offered over the Internet will fundamentally change how

we live and work. In the coming decade, massive consumer and business spending will shift from off-line to on-line. It's inevitable given the law of transaction economics that given our free-market, capitalistic economic system. So you think Microsoft a problem now, just you wait.

What should be done? Breaking the company into three. Albeit, I personally dislike pulling apart such a glorious American success story. Mr. Bill Gate and et al were simply pursuing an end state our economic system encourages, which ironically is monopoly. However, when a firm reaches this end-state, we marvel and acknowledge them at their accomplishment, and then do what's right: break the company apart. Natural breakpoints for the company come from the current marketplace structure. Operating System, Business/Consumer Software, On-line Services. This breakup will foster competition in critical marketplaces, the benefits to which you're no doubt aware.

I know you have a tough choice to make. And you heard many complex, compelling arguments. But the laws of economics in our system are surprising quite straightforward.

I hope you find my opinion helpful. If I can be of service to your court, don't hesitate to contact me.

Best regards,  
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